

November 2, 2007

Mr. Michael DeVos, Executive Director
Michigan State Housing Development Authority
735 E. Michigan Avenue, P.O. Box 30044
Lansing, MI 48909

RE: Comments on October Final Draft QAP

Dear Michael:

We have reviewed the final draft of the Qualified Allocation Plan for 2008. As we have stated in our previous (2) comment letters, there are serious concerns by both Boston Capital and the developer production community regarding many of the policies proposed. Among those policies, we would like to comment on 1) the 50% Holdback for Detroit, 2) the requirement that all projects set aside 10% of all units at 30% or less of AMI, and 3) the equity letter requirement for applications.

1. **50% Holdback DHHP.** Passive Investor demand for tax credits in this area of the United States is at an all time low. With reductions in 2007 and forecasted for 2008, approximately \$1.5 billion of the entire LIHTC capital market of \$5 billion dollars has been reduced which has created a gap. To ensure that the remaining investors are attracted to Michigan, the QAP must reflect projects located in economically stable areas. The draft QAP, through this set-aside, is forcing projects into an area that the market is not prepared to invest in at this time.
2. **All projects must set-aside 10% of their units at 30% Area Median Income or less for special needs populations.** Project operating costs per unit per year are more than the annual income from this AMI requirement. With existing LIHTC properties operating at 7-20% vacancy in our Michigan portfolio (6,000 units in 66 communities), you are putting future properties funded from this QAP into a more precarious financial position unless you are willing to provide large amounts of HOME funds at zero percent interest to every project. Even if you provide this, you have a market study issue in examining eligible households at 30% AMI in every primary market. While Special Needs and lower AMI populations need to be served with housing, we suggest you examine other ways outside of the intent of Section 42.
3. **Sponsors must provide 2 Equity Letters for MSHDA Review.** Equity providers, at the time of application, are providing letters contingent on due diligence and underwriting. Equity providers do not have the proper information, at the time of application, to make any commitments. With the markets changing dramatically in the equity business for LIHTC's, MSHDA's best policy would be to survey the market at the time of final underwriting. MSHDA's involvement in any equity determinations, as outlined in the final draft QAP, could only lead to business interference between parties, which is a very dangerous legal position in the event the partnership has issues.

With LIHTC modernization legislation pending in Congress, there are other policies proposed in the draft QAP that will require changing, and we strongly suggest and encourage MSHDA to hold off on any new QAP for 2008-2009.

Respectfully Submitted,



Robert C. Moss
Senior Vice President
Boston Capital

cc: Scott Larry, President, Michigan Housing Council

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